# Californía Board of Accountancy

## President's Message



Donna McCluskey, CPA
Immediate Past President

It has been my pleasure to serve as President of the California Board of Accountancy during 2001, the Board's centennial year. Some of you may not know that this Board was created and issued its first license a little over 100 years ago in 1901. By 1906, the year of the San Francisco earthquake, there were 65 accountants certified by the Board. The numbers have grown. Contrast those 65 original licensees with today's licensee population of approximately 65,000, and you see there has been tremendous growth.

Although it is a century old, from its inception, the Board has been committed to consumer protection. A December 1913 letter to Governor Hiram Johnson from then Secretary-Treasurer of the Board, a Mr. T.E. Atkinson, stated "Public accounting is now generally recognized in business to be of such importance that a standard should be set by public authority and no one allowed to practice without proper credentials."

Undoubtedly, the world has evolved tremendously since that letter was written. Today's computer technology and global economy could not have been imagined in 1913. However, while business horizons have expanded, the Board's strong commitment to public protection has not changed.

During 2001, through the sunset review process, the Board focused on maintaining that commitment while at the same time updating and modernizing its licensure requirements for the 21<sup>st</sup> Century. Sunset review certainly placed a heavy demand on Board resources. I would like to thank my fellow Board members, the committee members, and the hard-working staff of the Board for their contributions to bringing sunset review to a successful conclusion.

The primary outcome of the sunset review process was the enactment of two bills, AB 585 by Assembly Members Joe Nation and John Campbell, and SB 133 by Senator Figueroa, et al, to create two new "pathways to licensure." These pathways maintain consumer protection and, at the same time, give applicants up-to-date, career relevant options for becoming California CPAs. Reading Update Issue 49 or visiting the Board's web site at www.dca.ca.gov/cba will provide detailed information about the new pathways.

Also during 2001, there was a change in the membership of the Board itself. As my tenure as president began, four long-time Board members — Walter Finch, Diane Rubin, Robert Shackleton, and Joseph Tambe —

(Please see President's Message, continued on page 2)

Mission Statement

The mission of the California Board of Accountancy is to protect the public welfare by ensuring that only qualified persons are licensed and that appropriate standards of competency and practice are established and enforced.



It is the vision of the California
Board of Accountancy to become
the premier regulatory agency that
operates with maximum efficiency,
fosters continuous quality
improvement, and provides
exemplary consumer protection
while recognizing the changing
consumer demographics and
nature of services provided by
licensed professionals.

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were concluding their terms with the Board. Later in 2001, Robert Badham, a former Congressman, concluded his appointment as a public Board member. I want to express our appreciation to these former Board members for their conscientious service to the consumers of California and to the licensees of the Board.

We have been fortunate to welcome four highly qualified new members who joined the Board during this past year. Joseph Tseng, CPA, managing partner of Tseng, Lee & Huang, LLP, Wendy Perez, CPA, a partner with Ernst & Young LLP, and Ian Thomas a public member and partner in Thomas Consulting Group were appointed by Governor Davis. Also, Richard Charney, D.C., a public member, was appointed by the Senate Rules Committee.

As I close, I want you to know how much I have appreciated the opportunity to serve as President of the Board during a year of so many challenging developments and advancements. I have concluded my term as president, but I will continue to serve and work with our new president, Navid Sharafatian, Esq., the other Board members, and the staff to meet a new year of challenges.

Donna McCluskey, CPA Immediate Past President

- Jun Milway

## **Issues of Interest**

to the Consumer and the Practitioner

# News to You

#### **Board Elects Officers**

Navid Sharafatian, Esq. has been elected President of the California Board of Accountancy. A Los Angeles attorney, Mr. Sharafatian is only the second public member in the Board's history to be elected President. He previously served as Vice President and as chair of the Sunset Review Committee.

Also elected at the November 2001 Board meeting were Wendy Perez, CPA, as Vice President, and Joseph Tseng, CPA, as Secretary-Treasurer.

Ms. Perez previously served as chair of the Exam and Licensure Transition Task Force, while Mr. Tseng has been a member of the Board's Committee on Professional Conduct.

#### Legislation to Continue the Board

Governor Davis has signed into law AB 585 by Assembly Members Nation and Campbell (Chapter 704) and SB 133 by Senator Figueroa (Chapter 718). These bills continue the California Board of Accountancy and establish new "pathways" to licensure.

Exam candidates now may apply under the new requirements. Candidates who have already sat for at least two sections of the exam may be licensed under the former requirements, if they qualify before 2006. Candidates for the May 2002 exam have the option of sitting under the old or the new requirements.

AB 585 and SB 133 also mandate that, effective 2006, all firms providing attest services, except sole proprietors and small firms (no more than four licensees on staff), must complete peer reviews to renew their licenses. The Board will be developing regulations to implement the peer review requirement.

#### November 2001 CPA Examination

California has administered its largest CPA Examination ever. The November 7-8, 2001, exam was held in Pleasanton, Pomona, and Sacramento. 12,053 candidates originally were scheduled to take the exam, while 9,130 candidates actually sat. California also proctored 29 candidates from other states, and 113 California candidates were scheduled to take the examination in another state.

## Computerizing the Uniform CPA Examination

Work to computerize the Uniform CPA Examination continues with a target date of May 2003. The California Board of Accountancy has been actively involved in the process, and the Board's Executive Officer, Carol Sigmann, is currently serving on the National Association of State Boards of Accountancy (NASBA) Examinations Committee.

In October, the AICPA Board of Examiners, after receiving input from various committees and from NASBA, concluded that the computerized exam would have the following four parts: Auditing & Attestation, Financial Accounting & Reports, Regulation, and Business Environment & Concepts. Unlike the current exam, it is anticipated that conditional credit will not be granted. Instead applicants would be able to take each section of the computerized exam independently as long as the whole exam is passed within a time period yet to be determined.

As the implementation date nears, more information will be provided in *Update*.

#### Return Address Required

The California Board of Accountancy has a new policy regarding mail received at the Board's office in Sacramento. Due to security concerns occasioned by national events, please be aware that any mail sent to the California Board of Accountancy without a return address will not be accepted by the California Board of Accountancy as deliverable.

## A Licensee's Responsibility for Reporting Violations

by Doug Reid, Investigative CPA

Ensuring the professional integrity of practitioners and protecting against consumer harm are important objectives of the California Board of Accountancy. Section 5063 of the Accountancy Act, passed into law in 1996, strengthened the Board's statutory authority to pursue these objectives by requiring the self-reporting of "reportable events" to the Board within 30 days of the occurrence of the event.

What are "reportable events?" These are broadly defined to include the occurrence of a variety of criminal convictions, as well as loss of certifications to practice public accountancy issued by other states or foreign countries, or loss of practice rights before other governmental bodies or agencies.

Reportable convictions fall in three categories. First are felony convictions, regardless of the nature of the actions involved. Second are convictions for any crimes related to the qualifications, functions, or duties of a public accountant or certified public accountant, or that are related to acts or activities occurring in the course of public practice. Third are those involving any theft, embezzlement, or misappropriation of funds or property, any breach of a fiduciary responsibility, or the preparation, publication, or dissemination of any false, fraudulent, or materially misleading financial statements, reports, or information.

Among the convictions required to be reported are some that may not immediately come to mind. These include convictions for such violations as shoplifting, burglary, auto theft, and crimes of violence against individuals. The underlying facts of such violations must be reviewed by the Board's Investigative CPAs to determine the potential risk of future harm to consumers, and to evaluate whether it is consistent with the public interest for a practitioner or license applicant to engage in practice.

At what point in a criminal proceeding does a conviction meet the statutory criteria for required reporting? Under the Accountancy Act, a conviction includes entry of the initial plea of guilty

or of no contest, a verdict or finding of guilt, or pronouncement of sentence by a court — even though the conviction may not be final or a sentence not imposed until appeals are exhausted. A licensee's responsibility for reporting the event within 30 days is triggered by the occurrence of the earlier of these events.

The Board has been assisted over the years in its review of reportable events by reports of convictions and loss of practice rights or certifications from courts and district attorneys offices, and various other governmental bodies and agencies. With the addition of the fingerprint requirement for applicants, the flow of information on reportable events has enlarged. Consequently, to avoid potential enforcement action for failing to comply with Section 5063, the importance of self-reporting also has increased. Each practitioner who has experienced the occurrence of a reportable event is strongly encouraged to comply with the statutory requirement to bring the matter to the Board's attention.

Finally, the Board encourages practitioners to bring to its attention other licensees who have experienced a reportable event and who may have failed in their statutory responsibility to self-report the event. While there is no obligation under Section 5063 for practitioners to report others who have experienced a reportable event, the accounting profession has a long-held tradition of self-regulation in assisting the Board in its statutory mandate to protect consumers from harm. ❖

### Investigative CPA Profile

by Stephen DeRose, Investigative CPA

As a CPA, what's the first thing you read when you receive your *Update*? Many California CPAs say they go straight to the Disciplinary Actions.

If you've ever wondered about the Board's investigative resources dedicated to the enforcement process, this article summarizes the origin, minimum qualifications, and duties of the Investigative CPA position.

About 12 years ago, a small group of volunteer CPAs called the "Technical Review Panel" (TRPs) performed the majority of the Board's investigations. The TRPs were usually in public practice, but they were willing to dedicate a portion of their time to the Board to complete investigations of consumer complaints. Over time, the volume of consumer complaints increased, along with the complexity of the issues and the time commitment involved, creating a large backlog of cases. That is when the Board decided it would be more effective to hire a staff of full-time professionals to investigate complaints.

Currently, the Board employs six Investigative CPAs, one Supervising Investigative CPA, and an Enforcement Division Chief. These eight people are responsible for conducting and overseeing all the Board's enforcement investigations.

So how do you become an Investigative CPA? First, an individual must meet the minimum education qualifications of earning a four-year college degree with a minimum of 30 semester units of business and accounting courses and possessing an active California Certified Public Accountant license.

Second, a candidate must meet the minimum experience qualifications of five years' experience in California state service performing professional auditing or accounting duties, or three years of increasingly responsible public accounting experience.

Finally, the candidate must take a written test, similar to a shorter version of the CPA exam, followed by an oral examination. After obtaining a minimum score of 70%, the results are translated to a state of California civil service hiring list. Prospective job candidates must be on this list before being interviewed and ultimately selected.

Those who are successful in obtaining appointment as an Investigative CPA are trained in appropriate professional techniques, and they also utilize their first-hand accounting experiences to investigate a wide variety of consumer complaints. An Investigative CPA performs the following services:

- Performs investigations of complaints filed against California CPAs and PAs for malfeasance, gross negligence, fraudulent or dishonest activities as well as willful failure to perform or comply with professional standards of practice. This includes examining and evaluating working papers and reports on audited, reviewed and compiled financial statements, tax filings, consulting services (e.g. litigation support services) and any other services performed for clients as a licensee for quality and conformance to professional standards.
- Provides technical support to the Office of the Attorney General on development of legal opinions, Accusations (the Board's document of formal disciplinary charges), prosecution strategy, and stipulated settlements in disciplinary matters.
- Serves as an expert witness in testifying at disciplinary administrative hearings before an Administrative Law Judge (Office of Administrative Hearings).
- Responds to technical inquiries from licensees, attorneys, and the public regarding the application and enforcement of the California Accountancy Act and Board regulations.

For further information regarding the job classification, duties, specifications, and minimum qualifications, and announcement of future Investigative CPA examinations, just log onto the California State Personnel Board's Web site at <a href="https://www.spb.ca.gov">www.spb.ca.gov</a>. <a href="https://www.spb.ca.gov">www.spb.ca.gov</a>.

# What's the Difference? Clarifying the Roles of the California Board of Accountancy and the Professional Societies

It is not unusual for the Board to receive a request from a consumer who is looking for a CPA or a PA and wants a recommendation. When this happens, we offer a "Selecting a CPA or PA" tip sheet to the consumer by fax, mail, or via our Web site. We explain that the Board's regulatory role precludes it from making a recommendation, but this is something that a professional society will do. We also advise the consumer to use the Board's Web site to look up the status of a practitioner's license.

Based on the type of questions we receive, we've learned that sometimes the consumer is confused about the difference between the Board and the societies. Even some licensees share this confusion. So what exactly are the differences between the two? And what are the similarities? Professional societies such as the California Society of Certified Public Accountants (CalCPA), the Society of California Accountants (SCA), and the American Institute of Certified Public Accountants do share a common focus with the Board — the public accounting profession. But there are very important distinctions, too.

#### The Entities

The California Board of Accountancy is the state regulatory agency with the statutory authority to enforce the Accountancy Act for the protection of California's consumers. Members of the California Board of Accountancy are appointed by the Governor or the Legislature, according to state law. In contrast, professional societies are private membership organizations that offer a variety of services to support and benefit their members. The members of the professional society's governing body are selected by that organization's membership. Simply put, the Board is a public body, while a professional society is a private entity.

#### **Powers**

The Board, by following a formal legal procedure, can adopt regulations to interpret and implement the Accountancy Act. However, the

Accountancy Act, which is contained in the Business and Professions Code, is state law and can only be changed by action of the Legislature and the Governor. Conversely, while professional societies have bylaws and rules governing how their organizations function, these are not state laws and can be changed by action of the membership.

The Board, as a state agency, is subject to legislative oversight and provides information to the Legislature, for example, through the sunset review process. The Board also adopts positions on legislation consistent with its consumer protection mission and its work as a state entity. The Board has no paid lobbyists. Professional societies, on the other hand, generally employ lobbyists who advocate for legislation that will benefit members of the profession.

#### **Funding and Renewal Fees**

Both the Board and professional societies charge fees to support their activities. The Board is a specially-funded state agency, which means it is supported entirely by fees paid by applicants and licensees and uses no taxpayer dollars. In contrast, dues paid for membership in a professional society fund the organization's activities and services.

When a society member fails to pay dues, his or her membership in the organization may lapse, although nonpayment of society dues does not affect the person's practice rights. However, here is a critical distinction. When a practitioner fails to pay the renewal fee on time, the license expires — and the licensee can no longer legally practice public accounting in California.

#### A Working Relationship

The Board enjoys cooperative relationships with the professional societies, and each Board meeting has agenda items specifically for public comment and input from the societies, as well as the general public. The Board discusses issues, exchanges ideas, and works with the societies at both the state and national levels on many subjects and topics, most notably in the administration of the Uniform CPA Examination, the development of a computerized examination, and the evolution of the Uniform Accountancy Act. ❖



## California Board of Accountancy

## What's New at www.dca.ca.gov/cba

Our visitor base continues to grow at a phenomenal rate! If we look back to the third quarter of 2001, we can tell you that from the period of January through October 2001, our Web site received more than 1.6 MILLION hits! That contrasts sharply with the 700,000 hits received for the same period in 2000 and even more with the 180,000 hits documented for the same time range in 1999. We know that the license lookup feature accounts in large part for the jump, as does our interactive Uniform CPA Examination application process. It all lets us know that visitors find our site informative and useful, and we will continue to improve our effectiveness in the future.

#### **National Web Award**

For the second year in a row, the Board has received an award for its Web site from the National Association of State Boards of Accountancy (NASBA).

The NASBA Web Award for Excellence 2001 in the Innovator category was given to only two jurisdictions — California and Washington state. In receiving the award, California's site was credited with several interactive capabilities. These innovations include CBA's License Lookup feature, online filing for the Uniform CPA Exam, and the ability to allow a CPA Exam candidate to check the status of the application online.

#### Office of Privacy Protection

The Office of Privacy Protection, in the California Department of Consumer Affairs, has opened its doors after receiving initial funding in July of 2001. Its stated mission is to "Promote and protect the privacy rights of California consumers." This first-in-the-nation office will be a place where consumers can get information on their privacy rights and assistance in dealing with identity theft and other privacy-related problems. A direct link to the Office of Privacy Protection is on our home page and also posted on the "What's New" page.

#### **Privacy Policy**

A link to the privacy policy of the Department of Consumer Affairs and all of the regulatory boards within the department also is posted on our home page. The policy outlines the following principles to which each board must adhere:

- We collect personal information on individuals only as allowed by law.
- We tell people who provide personal information to the Department the purpose for which the information is collected.
- We tell people who provide personal information about their opportunity to review that information.
- We use personal information only for the specified purposes, or purposes consistent with those purposes, unless we get the consent of the subject of the information, or unless required by law or regulation.
- We use information security safeguards.
- We will provide additional explanations of our privacy policy if requested.

If you have further questions about the Department's privacy policy, you may write or call the Office of Privacy Protection, Department of Consumer Affairs, 400 R Street, Sacramento, CA 95814, 916-323-0637. ••

### 2002 Committee Member Appointments

The Board is pleased to announce that the following licensees were either reappointed or newly appointed to serve on the Board's committees for 2002. Appointments were announced at the Board's regularly scheduled meeting on November 15-16, 2001, in San Diego, California.

#### **Administrative Committee**

Olaf Falkenhagen, CPA, Chair Felipe L. Quezada, CPA, Vice Chair Barry Franzen, CPA Harish Khanna, CPA Robert Lovret, CPA Daniel Matter, CPA Randy W. Miller, CPA Kathleen Platz, CPA Mathew Rodgers, CPA Dawn E. Struck-Rau, CPA

#### **Qualifications Committee**

Paul Koreneff, CPA, Chair
Nancy J. Corrigan, CPA, Vice Chair
Gary J. Bong, CPA
Roger Bulosan, CPA
Waldemar Faimann III, CPA
Tracy Garone, CPA
Cheryl Gerhardt, CPA
David Graham, CPA
Hamid Kabani, CPA
Richard Kikuchi, CPA
Stephen Larson, CPA
Alice Norwood, CPA
Janet Rosman, CPA
Terri Webster, CPA
Michael Williams, CPA

#### **Report Quality Monitoring Committee**

Michael Feinstein, CPA, Chair James Babcock, CPA, Vice Chair North Andy Mintzer, CPA, Vice Chair South Claus Agger-Nielsen, CPA Marlyn C. Catalano, CPA Kenneth S. Cohen, CPA Maurice Eckley Jr., CPA Karl Gunther, CPA Michael Haas, CPA James Kasim, CPA Gary O'Krent, CPA Federico Quinto, Jr., CPA Joanne M. Riester, CPA David Robinson, CPA Raymond Russell, CPA Seid Sadat, CPA Thomas F. Seymour, CPA Richard Sierra, CPA Arnold Stengel, CPA William L. Woodward, CPA

## Americans with Disabilities Act (ADA) Program

Each candidate attending the Uniform Certified Public Accountant Examination in California who has qualifying special needs is provided reasonable accommodations, in accordance with Title II of the Americans with Disabilities Act (ADA).

All requests for accommodations must include the required written documentation from a qualified professional that substantiates the need for the requested accommodation. The Board also takes the appropriate actions to protect the confidential information that is maintained in the candidate's examination file.

During each examination cycle, the California Board of Accountancy receives an average of 21 qualifying requests for reasonable accommodations. Some of the most common accommodations requested include extended examination time, private and semi-private testing rooms, and enlarged print on the examination booklets.

The Board's Web site at www.dca.ca.gov/cba contains detailed ADA -related information for candidates applying for the Uniform CPA Examination in California. All required forms are readily available for direct downloading and printing from our Web site.

Those exam candidates who have additional questions regarding reasonable accommodations may telephone Board staff member
Ms. Melissa Arredondo at (916) 263-3972, or e-mail her at marredondo@cba.ca.gov. ••

### Deadlines for the May 2002 CPA Examination

The next Uniform CPA Examination will be held May 8 and 9, 2002. Applicants can apply for the examination online at <a href="https://www.dca.ca.gov/cba">www.dca.ca.gov/cba</a>, or by obtaining a paper application by the following methods: writing to the Board's office, requesting a form, e-mailing <a href="mailto:examinfo@cba.ca.gov">examinfo@cba.ca.gov</a>, telephoning (916) 263-3953, or faxing a request to (916) 263-3675. There is also a form named "Examination Application - Hardcopy Request" available on our Web site. A photocopy of the application may not be used.

Applicants are reminded that to sit for the May 2002 examination in California, their completed applications, official transcripts mailed directly from the educational institution to the Board, and appropriate fees must be postmarked on or before the final filing date.

Applicants who applied, but have never actually sat for an exam as a California Candidate, are considered first-time applicants.

Application availability and final filing dates for the May 2002 examination are:

#### **Application Availability Dates**

January 1, 2002 Sitting for the first time as a California applicant.

February 2, 2002 Previously sat as a California applicant.

**Final Filing Dates** 

February 1, 2002 Sitting for the first time as a California applicant.

March 1, 2002 Previously sat as a California applicant.

## Continuing Education Requirements – Frequently Asked Questions

Some of the most frequent daily inquiries to Board staff concern continuing education (CE) requirements. In fact, the Renewal/Continuing Competency Unit staff answer as many as 100 calls per day about the following topics:

#### Are there certain courses I must complete to fulfill my 80-hour CE requirement?

Licensees are required to complete 40-hours of CE in technical subject areas such as accounting, auditing, taxation, consulting, financial planning, professional conduct and ethics, computer and information technology, and specialized industry or government practices. The remaining 40 hours of CE can include additional hours completed in technical subject areas or nontechnical subjects such as communication skills, word processing, sales, marketing, motivational techniques, negotiation skills, office management, practice management, and personnel management. Personal growth courses are not considered acceptable CE.

#### What types of courses qualify as CE?

To qualify as acceptable CE, a program must contribute directly to the professional competence of a licensee in public practice. Among the qualifying programs are:

- Professional development programs from national and state accounting organizations.
- Technical sessions or meetings of national and state accounting organizations and their chapters, which are designed as formal educational programs.
- University or college courses.
- Other formal educational programs, provided the program meets the required standards.

#### Can I complete all of my CE by self-study?

The entire 80-hour CE requirement may be completed in qualifying self-study programs. Note that non-interactive self-study CE credit is equal to 50% of the actual completion time, while interactive CE credit is equal to 100% of the completion time.

#### What is the difference between interactive and non-interactive self-study courses?

An interactive self-study program requires frequent participant response to questions that test for understanding of the material presented, provide evaluated feedback to incorrectly answered questions, and reinforcement feedback to correctly answered questions. An interactive self-study program should simulate a classroom learning process by employing software, other courseware, or technology-based systems. Self-study courses that do not meet the description above are considered noninteractive.

I completed a course and the provider is an approved Quality Assurance Service (QAS) and National Registry sponsor. Does the Board accept QAS hours or Registry hours?

The California Board accepts the reporting of Registry hours for an active renewal, not QAS hours. The number of hours will only differ between the QAS and Registry hours for noninteractive courses.

## How often do I need to complete a Board-approved Professional Conduct and Ethics (PC&E) course?

A licensee must complete a Board-approved PC&E course every six years for an active renewal. The renewal form will indicate when the course is due next for an active renewal. Licensees can complete the PC&E course before the required date and report it as eight hours of technical CE on the CE worksheet.

#### When I renew my license do I have to use the Board's CE worksheet, or can I create my own?

The provided CE worksheet does not have to be filled out, but the exact format must be used when creating your own form for reporting purposes. Also, abbreviations should not be used when reporting CE to the Board.

Licensees can visit the Board's Web site at www.dca.ca.gov/cba for further information regarding the renewal process. If you have questions regarding CE, you may contact Ms. Liza Walker of the Board's staff at (916) 263-3937 or by e-mail to renewalinfo@cba.ca.gov. •

## Policy of Nondiscrimination on the Basis of Disability and Equal Employment Opportunity

The California Board of Accountancy does not discriminate on the basis of disability in employment or in the admission and access to its programs and activities.

An Americans with Disabilities Act (ADA) coordinator has been designated to coordinate and carry out this agency's compliance with the

nondiscrimination requirements of Title II of the ADA. Information concerning the provisions of the ADA, and the rights provided thereunder, is available from:

ADA Coordinator California Board of Accountancy 2000 Evergreen Street, Suite 250 Sacramento, California 95815-3832

## Meeting your PC&E Course Requirement

Since January 1, 1998, Professional Conduct and Ethics (PC&E) continuing education has been required every six years for all active license renewals. This eight-hour course provides information on the provisions of the current Accountancy Act, the Board of Accountancy regulations, and other rules of professional conduct.

The PC&E requirement is being phased in over a six-year period. According to the timetable, one-third of the licensee population will meet the requirement in a specified two-year period, based on the last two digits of their CPA/PA license number.

 Practitioners whose license number ends in the "01-33" range must have completed the initial PC&E course by their license renewal date in 1998 or 1999, as applicable.

- Those whose license number ends in the "34-66" range must meet the PC&E requirement by their license renewal date in 2000 or 2001, as applicable.
- Licensees whose license number ends in the "67-00" range must meet the PC&E requirement by their license renewal date in 2002 or 2003, as applicable.

Please remember that only Board-approved courses satisfy the requirement.

A current list of Board-approved courses is available on the Board's Web site at <a href="https://www.dca.ca.gov/cba">www.dca.ca.gov/cba</a>. This list is also available by faxing a request to (916) 263-3672 or by telephoning the Board's staff in the Renewal Unit. The telephone numbers are listed on the back page of this publication. <a href="https://www.eback.com/characterists/">www.dca.ca.gov/cba</a>. This list is also available by faxing a request to (916) 263-3672 or by

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### What is IQEX?

¿IQEX is the acronym for the International Uniform Certified Public Accountant Qualification Examination. The purpose of the IQEX is to facilitate U.S. licensure for accountants from other countries who are members of professional organizations that have agreed to reciprocity with U.S. jurisdictions. These reciprocity agreements have been developed through the efforts of the United States International Qualifications Appraisal Board which was established jointly by the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA). Currently, members of three organizations are qualified to take the IQEX: Canadian Chartered Accountants, Australian Chartered Accountants, and Australian Certified Practicing Accountants.

The IQEX is administered under the auspices of NASBA's CPA Examination Services, which processes IQEX applications, determines candidate eligibility, oversees the conduct of the examination, and reports IQEX grades to the candidates and boards of accountancy in 54 U.S. jurisdictions.

The IQEX tests the candidate's knowledge of U.S. generally accepted accounting principles, generally accepted auditing standards, taxation, and business law. Since the objective of the IQEX is to assess a candidate's knowledge in subjects in which there are differences between U.S. and foreign accountancy principles, most IQEX topics are in major areas of dissimilarity, such as professional and legal responsibilities, business law, and taxation. Unlike the Uniform CPA Examination, there is only one IQEX grade for the entire examination.

After passing the IQEX, candidates must apply for the CPA license with a state board of accountancy in a jurisdiction that recognizes the IQEX. California is one of those jurisdictions. Since it has been determined that foreign accounting professionals who qualify for the IQEX have the equivalent of 150 hours of education, applicants who pass the IQEX may apply for the California CPA license under Section 5093 of the California Accountancy Act (commonly referred to as "Pathway 2"). Section 5093 also mandates a one-year experience requirement. To sign reports on attest engagement, the applicant also will need to meet the requirements of Section 5095 of the Accountancy Act and may be required to present work papers to demonstrate qualifying experience.

Those who have questions about California's CPA licensure requirements and application procedures should visit the Board's Web site at www.dca.ca.gov/cba, telephone (916) 263-3944 or (916) 263-3696, or send an e-mail to pathwayinfo@cba.ca.gov.

Additional information regarding the IQEX is available on the NASBA's Web site at www.nasba.org. .

Each issue of *Apdate* contains important information about the public accounting profession, including notices of proposed hearings on regulation changes, Board and committee meetings, proposed new regulatory language, and topical information about enforcement, examination, licensure, and continuing education issues. For ease of reference, we suggest that after you receive and read *Apdate*, you place these issues in your professional library. For your convenience, all issues of *Apdate* since 1998 are also posted on our Web site at www.dca.ca.gov/cba.

### IRS Promotes Educational Outreach to Restaurant Industry in California

The IRS is debuting a new outreach program especially prepared for restaurant owners and other members of the food and beverage industry. Prominent on the menu is accurate reporting of business income and sales, two critical ingredients for correct and timely filing. The agency's goal is to help restaurant professionals get it right the first time, thereby reducing the need for post-filing examinations and amendments.

What prompted the effort? A recent IRS study of the California food and beverage industry compared business income reported to both the Board of Equalization (BOE) and the IRS. A significant percentage of discrepancies were found. With that in mind, IRS has directed its outreach effort toward the food and beverage professionals in the small business community to help them create a better recipe for preparing tax returns.

Notification letters are being prepared for those businesses that may have a discrepancy. The letter prompts restaurant owners to review their current and past years returns and specifically instructs the taxpayer to "contact their tax professional" if discrepancies are found. The IRS believes this team approach benefits all interests and further supports their Commissioner's commitment to assist taxpayers to resolve problems at the earliest possible opportunity.

As part of its campaign, IRS will be promoting its new "Small Business and Self Employed Community" Web page at <a href="https://www.irs.gov">www.irs.gov</a>. Information specific for a small business and/or self employed audience is continually updated to provide easy and immediate access to forms, publications and other tools of the trade. The traditional Small Business workshops have also been modified to impress the importance of accurate business income reporting to both IRS and BOE. <a href="https://www.irs.gov">to both IRS and BOE</a>. <a href="https://www.irs.gov">to both IRS and BOE</a>. <a href="https://www.irs.gov">to provide easy and immediate access to forms</a>, publications and other tools of the trade. The traditional Small Business workshops have also been modified to impress the importance of accurate business income reporting to both IRS and BOE.

## Future 2002 Meetings

January 25, 2002	March 23, 2002	April 24-25, 2002
Sir Francis Drake Hotel 450 Powell Street San Francisco, California 94102 Board Meeting Committee on Professional Conduct	Sheraton Gateway 6101 West Century Blvd. Los Angeles, California 90045 Board Meeting Committee on Professional Conduct	Four Points Hotel Sheraton 9750 Airport Blvd. Los Angeles, California 90045 Qualifications Committee
May 2, 2002	May 17, 2002	June 19, 2002
Sheraton Gateway 6101 West Century Blvd. Los Angeles, California 90045 Administrative Committee	San Diego Board Meeting Committee on Professional Conduct	Sofitel San Francisco Bay 223 Twin Dolphin Drive Redwood City, California 94065 Qualifications Committee
July 11, 2002	July 19, 2002	August 15, 2002
California Board of Accountancy 2000 Evergreen Street, Suite 250 Sacramento, California 95815 Report Quality Monitoring Committee	San Francisco Board Meeting Committee on Professional Conduct	Sheraton Grand Sacramento 1230 J Street Sacramento, California 95814 Administrative Committee
August 28-29, 2002	September 20, 2002	October 23-24, 2002
Sheraton Gateway Hotel 6101 West Century Blvd. Los Angeles, California 90045 Qualifications Committee	Sacramento Board Meeting Committee on Professional Conduct	Southern California Qualifications Committee
November 7, 2002	November 15, 2002	
Barnabey's Hotel 3501 Sepulveda Blvd. Manhattan Beach, California 90266 Administrative Committee	Los Angeles Board Meeting Committee on Professional Conduct	

Board, committee, and task force meetings are open to the public. Licensees are encouraged to attend. As meeting locations become known, they will be posted on the Board's Web site at <a href="https://www.dca.ca.gov/cba">www.dca.ca.gov/cba</a> and are also available by calling the Board's office at (916) 263-3680. Public notices and agendas are posted to the Web site 10 days prior to the meeting.

# Disciplinary Actions and Standard Probationary Terms

When the Board receives a complaint, an investigation is conducted. Information regarding a complaint generally is gathered by staff Investigative CPAs, often accompanied by a licensee's appearance before the Board's Administrative Committee. In some cases, information is gathered by the Department of Consumer Affairs Division of Investigation.

Following this investigation, or for other reasons, a recommendation is made either to close the case for lack of evidence, or to refer the matter to the Attorney General for review and possible preparation of an accusation against the licensee or a statement of issues relating to the applicant.

The Board may revoke, suspend, or impose probation on a license for violation of applicable statutes or regulations. In addition to any case-specific terms of probation, the standard probationary terms include:

- Obey all federal, California, other state, and local laws, including those rules relating to the practice of public accountancy in California.
- Submit within 10 days of completion of the quarter, written reports to the Board on a form obtained from the Board. The Respondent shall submit, under penalty of perjury, such other written reports, declarations, and verification of actions as are required. These declarations shall contain statements relative to respondent's compliance with all the terms and conditions of probation. Respondent shall immediately execute all release of information forms as may be required by the Board or its representatives.
- During the period of probation, appear in person at interviews or meetings as directed by the Board or its designated representative, provided such notification is accomplished in a timely manner.
- Comply with the terms and conditions of the probation imposed by the Board, and cooperate fully with representatives of the Board in its monitoring and investigation of the respondent's compliance with probation terms and conditions.

- Be subject to, and permit a "practice investigation" of the Respondent's professional practice. Such a "practice investigation" shall be conducted by representatives of the Board, provided notification of such review is accomplished in a timely manner.
- Comply with all final orders resulting from citations issued by the California Board of Accountancy.
- In the event Respondent should leave California to reside or practice outside this state, Respondent must notify the Board in writing of the dates of departure and return. Periods of non-California residency or practice outside the state shall not apply to reduction of the probationary period, or of any suspension. No obligation imposed herein, including requirements to file written reports, reimburse the Board costs, or make restitution to consumers, shall be suspended or otherwise affected by such periods of out-of-state residency or practice, except at the written direction of the Board.
- If Respondent violates probation in any respect, the Board, after giving respondent notice and an opportunity to be heard, may revoke probation and carry out the disciplinary order that was stayed. If an accusation or a petition to revoke probation is filed against Respondent during probation, the Board shall have continuing jurisdiction until the matter is final, and the period of probation shall be extended until the matter is final.
- Upon successful completion of probation, respondent's license will be fully restored.

If charges are filed against a licensee, a hearing may be held before an independent administrative law judge who submits a proposed decision to be considered by the Board of Accountancy, or the matter may be settled. The Board may either accept the proposed decision or decide the matter itself. Please note that Board actions reported here may not be final. After the effective date of the Board's decision, the licensee may obtain judicial review of its decision. On occasion, a court will order a stay of the Board's decision or return the decision to the Board for reconsideration.

Copies of the accusations, decisions, and settlements regarding any of these disciplinary actions are available by sending a written request to: California Board of Accountancy, Attention: Disciplinary Actions, 2000 Evergreen Street, Suite 250, Sacramento, CA 95815-3832. Please state the licensee's name and license number, and allow approximately three weeks for each request.

## Disciplinary Board Actions through 11/5/01 Revocation of CPA Certificate

Name/Board Actions	Cause for Discipline	Code Violation(s) Charged
BOSS, JIMMY RAY Stockton, CA (CPA 22727)	Accusation AC-2001-23 contains allegations that Respondent used an unregistered business name from June 25, 1995, to September 30,	Business and Professions Code, Division 3, Chapter 1, §§ 5050 and 5100(f). California Code of Regulations, Title 16, Division 1, §§ 87.5 and 95.4.
Revocation of CPA Certificate, via default decision.	1999, and he was fined \$750, which he failed to pay.	
Effective November 5, 2001	The Accusation further alleges Respondent was assigned 16 hours of continuing education as a result of investigations of two complaints filed against him. Respondent failed to submit certificates of completion of the continuing education requirement.	
	Respondent was also alleged to have continued to practice as a certified public accountant after his permit to practice public accountancy expired.	
WALKER, JERRY MARK Portland, OR (CPA 28475)  Revocation of CPA Certificate, via stipulated decision.  Effective November 5, 2001	Respondent admits the truth of the allegations set forth in the Accusation.  As CEO, President, and Board member of Unison HealthCare Corporation, Respondent falsified financial information and reported the same to the Securities and Exchange Commission (SEC) for the second and third quarters of 1996.  As a result of the above actions, Respondent was denied the privilege of appearing or practicing before the SEC as an accountant for a period of five years, and he failed to report this to the Board as required.	Business and Professions Code, Division 3, Chapter 1, §§ 5063, 5100, 5100(f), (g), and (i).

#### Name/Board Actions

#### Cause for Discipline

#### Code Violation(s) Charged

#### FINKBEINER, BIRGIT

Los Gatos, CA (Exam Applicant)

Via default decision, Applicant/ Respondent is barred from admittance to future CPA examinations in California until further order of the Board, commencing with the November 2001 examination.

Applicant/Respondent is denied credit for passing any portion of the CPA examination to date.

Applicant/Respondent shall not be given credit for passing any portion of the CPA examination in any future examination taken in California or any other jurisdiction until further order of the Board.

Applicant/Respondent shall be barred from licensure as a Certified Public Accountant until further order of the Board.

Applicant/Respondent may petition the Board for relief no sooner than three years from the effective date of this decision.

Effective October 12, 2001

Statement of Issues SI-2002-1 contains allegations that Ms. Finkbeiner sat for the November 2000 and May 2001 CPA exams and on both occasions sat next to another examinee who was a social and business acquaintance. The Statement of Issues further alleges that Ms. Finkbeiner aided her social/business acquaintance by allowing him to copy off her answer sheets.

Business and Professions Code, Division 3, Chapter 1, §§ 123(b), 480(a), 496, 5100(a), 5110, 5111, and 5112.

#### Code Violation(s) Name/Board Actions Cause for Discipline Charged For purposes of this settlement, Respondent **Business and Professions** HAWKINS, DAVID A. Rancho Santa Fe, CA admits the truth of the allegations set forth in the Code, Division 3, Chapter 1, § 5100 (a) and (i). (CPA 20107) Accusation. On December 13, 1999, Respondent was Revocation stayed with three years' convicted of two misdemeanor counts of willful probation, via stipulated decision. failure to supply information to the IRS, and Respondent's license is suspended providing false information to the IRS. for nine months. While a partner in the accounting firm Hawkins & Scott (dissolved), Respondent intentionally Respondent shall provide 100 hours concealed from the IRS, during an audit of a of community service. clients' 1990 corporate income tax return, that the corporate entity was a related party to Respondent shall take and pass with another corporation also owned by the clients. a score of 90 percent or better a Respondent concealed the related party Board-approved ethics examination. relationship in order to prevent negative tax consequences for the corporate entity. Respondent is required to reimburse the Board \$5,892 for its investigation In 1994, Respondent knowingly assisted the and prosecution costs. clients to conceal from the IRS a taxable event involving the transfer of \$2.38 million of income Effective December 26, 2001

between two corporate entities owned by the clients. Respondent participated in implementing and memorializing fraudulent transactions with the purpose of enabling the clients to evade personal tax liability on the income transferred.

#### Name/Board Actions

#### MORGAN, DENNIS M. Madera, CA (CPA 41296)

Revocation stayed with three years' probation, via stipulated settlement.

Respondent's license is suspended for 60 days beginning December 1, 2001.

Respondent is permanently prohibited from performing future audits.

Respondent shall complete 24 hours of continuing professional education courses (CPE) within the first 24 months of probation. The CPE shall be in addition to the CPE requirement for relicensing.

Respondent shall take and pass with a score of 90 percent or better a Board-approved ethics examination within the first year of probation.

Respondent is required to reimburse the Board \$9,500 for its investigative and prosecution costs.

Other standard terms and conditions.

Effective December 1, 2001

#### Cause for Discipline

Respondent admits to the charges set forth in the Accusation.

Respondent was grossly negligent in the preparation of audits for a private company for the years ended May 31, 1996, and 1997 and a compilation engagement for the year ended May 31, 1995.

Respondent was not independent with respect to the 1996 and 1997 audits, as he performed management functions when he prepared journal entries and account codings and classifications without first obtaining management approval.

Respondent was unable to provide evidence for seven hours of continuing professional education taken for his last renewal period.

## Code Violation(s) Charged

Business and Professions Code, Division 3, Chapter 1, §§ 5062, 5100 (c) and (f). California Code of Regulations, Title 16, Division 1, §§ 58, 65, and 87.

#### Name/Board Actions

#### SNELL, BARRY A. Los Angeles, CA (CPA 43463)

Revocation stayed with three years' probation, via stipulated settlement.

Respondent to pay Citation No. CT-2000-69 in the amount of \$2,510, including bank fee, and report the change of his address of record no later than 30 days from the effective date of this Disciplinary Order.

Suspension of practice until Respondent renews his license to an active status and then for an additional 60 days thereafter.

Respondent shall complete 80 hours of continuing professional education (CPE) within the first 12 months of probation. The CPE shall be in addition to the CPE requirement for relicensing.

Respondent shall take and pass with a score of 90 percent or better a Board-approved ethics examination within the first year of probation.

Respondent is required to reimburse the Board \$3,500 for its investigation and prosecution costs.

Other standard terms and conditions.

Effective December 26, 2001

#### Cause for Discipline

Respondent admits the charges set forth in Accusation No. AC-2001-17.

On or about June 12, 2000, Respondent was issued a citation for practicing public accountancy with an expired license, and for not advising the California Board of Accountancy, in writing, within 30 days of a change in his address of record.

The citation included an order for payment of a fine of \$2,500. Respondent issued a \$2,500 check; however, the check was returned for insufficient funds. Respondent was also ordered to cease and desist his practice as a CPA until his license was renewed, to provide the CBA written notice of his change of address, and to provide evidence of completing the 80-hour renewal requirement. Respondent did not comply with any of these orders contained in the citation.

#### Code Violation(s) Charged

Business and Professions Code, Division 3, Chapter 1, §§ 5050, 5100 (f) and (h). California Code of Regulations, Title 16, Division 1, §§ 3 and 95.4.

### Name/Board Actions

#### Cause for Discipline

## Code Violation(s) Charged

#### THOMAS, CHRISTOPHER PEYTON

Folsom, CA (CPA 31522)

Revocation stayed with three years' probation, via stipulated settlement.

Respondent shall complete 24 hours of continuing professional education (CPE) courses within two years. The CPE shall be in addition to the CPE requirement for relicensing.

Respondent is required to reimburse the Board \$5,200 for its investigation and prosecution costs. Payment shall be made within 12 months of the date of the Board's final decision.

Other standard terms and conditions.

Effective December 26, 2001

For purposes of this settlement, Respondent admits the truth of the allegations set forth in the Accusation.

Respondent was grossly negligent in the preparation of Form 706 for an estate as the state tax credit of \$59,535 was not taken on the Form 706, which resulted in an overpayment of federal estate taxes.

Respondent did not prepare the required California Estate Tax Return, nor was the estate tax paid until the estate received a notice of deficiency from the California State Controller's office. As a result, the estate was charged \$27,160 in penalties and interest.

Respondent did not compute the federal estate tax paid on income in respect to decedents and record that amount as an itemized deduction in the preparation of the estate's beneficiary's joint 1997 and 1998 federal income tax returns.

Respondent made an error on the decedent's 1996 Form 540 by including in income \$10,622 of nontaxable U.S. Bond interest.

Business and Professions Code, Division 3, Chapter 1, § 5100 (c).

### **Disciplinary Definitions**

#### Accusation

A formal document that notifies a licensee of the agency's charges against the licensee.

#### **Cost Recovery**

The licensee is ordered to pay the Board certain costs of investigation and prosecution including, but not limited to, attorney fees.

#### **Default Decision**

The licensee failed to file a Notice of Defense or has otherwise failed to request a hearing, object, or otherwise contest the accusation. The Board takes action without a hearing based on the accusation and documentary evidence on file.

#### **Effective Date**

The date the disciplinary decision becomes operative.

#### **Probation**

The licensee may continue to engage in activities for which licensure is required, under specific terms and conditions.

#### Reinstatement

A revoked license that is restored, not sooner than one year from the date of revocation, to a

clear or inactive status after petition to and approval by the Board. Reinstatement may include probation and/or terms and conditions.

#### Revocation

The individual, partnership, or corporation is no longer licensed as a result of a disciplinary action.

#### Stayed

The action does not immediately take place and may not take place if the licensee complies with other conditions (such as a probation term).

#### Stipulation

The matter is negotiated and settled without going to hearing.

#### Suspension

The licensee is prohibited for a specific period of time from engaging in activities for which licensure is required.

#### **Voluntary Surrender**

The licensee has voluntarily surrendered the license. The individual, partnership, or corporation is no longer licensed. Surrender may also require certain conditions be met should the former licensee ever choose to reapply for licensure.

California Board of Accountancy



A separate change of address form must be submitted for each license type.

#### Please Print

Name of Licensee Individual (CF	PA/PA) - Lic. No	
Last	First	Middle
Name of Firm Corporati	ion Partnership Fictitious Name	License No.
Firm Name		
Address of Record	Be advised that your address of correspondence will be sent to the	f record is public information, and all Board his address.
	Home Business (	(check one)
Business Name (if different from name	above)	
1	,	
Street		Apt. # Suite # (check one)
City	State	Zip
Other Address		address of record is a mail drop or a will not be posted on the Web License Lookup.
	Home Business	(check one)
Street		Apt. # Suite # (check one)
City	State	Zip
Daytime Phone Number		Date of Birth
Area		Mo. Day Year
	of these statements and representation	15.
Signature of Licensee, Licensed Partner, or Licensed Shareholder		Date
Print your name		
A licensee who fails to notify the Calif within 30 days of a change in his/her subject to citation and fine (fines rang the California Code of Regulations, Ti	address of record may be to requiring from \$100-\$1000) under	oard maintains a list of all licensees. This list is sold uestors for mailing list purposes. Check here only if o not want your name included on this list.  e Note: Your name and address of record is public

Mail to: California Board of Accountancy, 2000 Evergreen Street, Suite 250, Sacramento, CA 95815-3832 or FAX to: (916) 263-3675

information and can be accessed through our Web site

at www.dca.ca.gov/cba.

Sections 3 and 95.2.

Board of Accountancy Directory		
Board Office	(916) 263-3680	
Board Office Facsimile		
License Status Check		
	Also available on Board Web site.	
General Examination Questions	examinfo@cba.ca.gov	
	(916) 263-3953 or 263-3958	
	Facsimile (916) 263-3677 or (916) 614-3253	
Enforcement Information and Questions	enforcementinfo@cba.ca.gov	
	(916) 263-3977	
	Facsimile (916) 263-3673	
Certifications		
Initial Licensing — Individual:		
	fingerprinting@cba.ca.gov	
	(916) 263-3947	
	Facsimile (916) 263-3676	
Initial Licensing — Partnerships, Corporations, F	` ,	
	Facsimile (916) 263-3676	
Renewal for CPA/PA, Partnerships, Corporation		
	renewalinfo@cba.ca.gov	
	(916) 263-3934	
144 67 4 4 4	Facsimile (916) 263-3672	
Web Site Address		
Web Page Master	pagemaster@cba.ca.gov	

Department of Consumer Affairs

California Board of Accountancy

*Update* Issue #50

2000 Evergreen Street, Suite 250 Sacramento, California 95815-3832 (916) 263-3680 www.dca.ca.gov/cba

#### **Address Service Requested**

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